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FARMERS' NEWSLETTER

Feed Grains



May 80/F-13

Following suspension of exports to the USSR in January, feed grain prices slumped, but then recovered at most major markets. Prices weakened again toward the end of March, but currently are around pre-suspension levels.

The Government continues its efforts to offset price effects of the export suspension on farmers, including isolating grain from markets through the reserve program and direct purchases of corn by the CCC.

Many farmers had to sell grain to finance production costs for 1980 crops, so farm marketings of grain this spring have been large. To some extent, these sales offset Government efforts to isolate grain from markets and contributed to the recent weakness in prices.

Grain Prices Higher Than a Year Ago

The national average farm price for each of the four feed grains has been higher than a year earlier each month during the current marketing year. The higher prices reflect strong export and domestic demand. Also, movement into the farmer-owned reserve will continue to tighten free supplies and strengthen prices.

Average farm prices for the entire marketing year are estimated at \$2.35 to \$2.50 per bushel for corn, up from \$2.25 last year; \$2.25 to \$2.35 for sorghum, up from \$2.02; \$1.30 to \$1.40 for oats, up from \$1.20; and \$2.25 to \$2.35 for barley, up from \$1.92.

Changes in world crop prospects and

economic conditions, of course, could alter these estimates.

Prospects for grain exports to other countries have improved since the export suspension. Currently, 1979/80 feed grain exports are estimated at 71 million metric tons, the same as the pre-suspension forecast. However, corn exports are estimated at 2.4 billion bushels--100 million less than expected before the cutoff.

The forecast for domestic use of all feed grains remains unchanged at 157 million tons--equal to the 1972/73 record.

Carryover stocks at the end of 1979/80 will be up sharply, but more than two-thirds will be in the farmer-owned reserve or CCC inventory. Because this grain is isolated from markets, prices should strengthen this summer as supplies tighten. Marketable supplies of old-crop grain this fall when corn and sorghum harvests begin will be more than a third smaller than last year.

More Acres in Feed Grains

Farmers surveyed around April 1 indicated they'd plant about 2 percent more feed grain acreage this year than last. Prospects for 82 million acres of corn, 2 million more than last year,

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The next feed grains newsletter is scheduled for early August.

APRIL FEED GRAIN INTENTIONS UP FROM A YEAR AGO



account for most of the increase. Only oat plantings were indicated smaller.

Corn production has set records every year since 1975. While it's too early to speculate on this year's crop, early season conditions seem mostly favorable. However, tight credit and higher production costs may cause farmers to cut back on use of fertilizer, chemicals, and fuel, which could lower yields even if weather conditions are ideal.

What You Can Count On From The Feed Grain Program

The feed grain program provides several benefits in case 1980 prices are low, or if your crops fail. You can also count on it for a loan if you want to hold your crops for later sale when you think prices will be stronger.

There is no set-aside acreage requirement for 1980 wheat or feed grain crops. As a result, all farmers are eligible for program benefits, including the loan and reserve programs, target price protection, and disaster payments. Farmers must sign up for grain programs at their ASCS offices to qualify for benefits.

- The target price is the price used for figuring deficiency payments to farmers when prices are low. There is a target price for corn, sorghum, and barley, but not for oats. The deficiency payment is the difference between the target price and the loan rate, or the difference between the target price and the national average farm price in the first 5 months of the marketing year, whichever is smaller. Deficiency payments are based on the normal yield of your farm.

Because there is no set-aside for 1980 grain crops, the Secretary of Agriculture does not have the authority to raise target prices above the formula levels this year. So USDA supported legislation to raise 1980 target prices in line with higher production costs.

Congress passed, and the President signed into law, the Agricultural Adjustment Act of 1980, which raises the target price to \$3.63 per bushel for wheat and to \$2.35 per bushel for corn. The 1980 sorghum and barley target prices have been raised to \$2.50 and \$2.55 per bushel, respectively.

However, to be eligible for deficiency payments based on the higher target prices, farmers must plant within the normal crop acreage (NCA) established for their farms. Farmers planting more than their NCA will be eligible for deficiency protection based on the lower target levels provided in the Food and Agriculture Act of 1977. These are \$3.08 for wheat, \$2.05 for corn, \$2.45 for sorghum, and \$2.29 for barley.

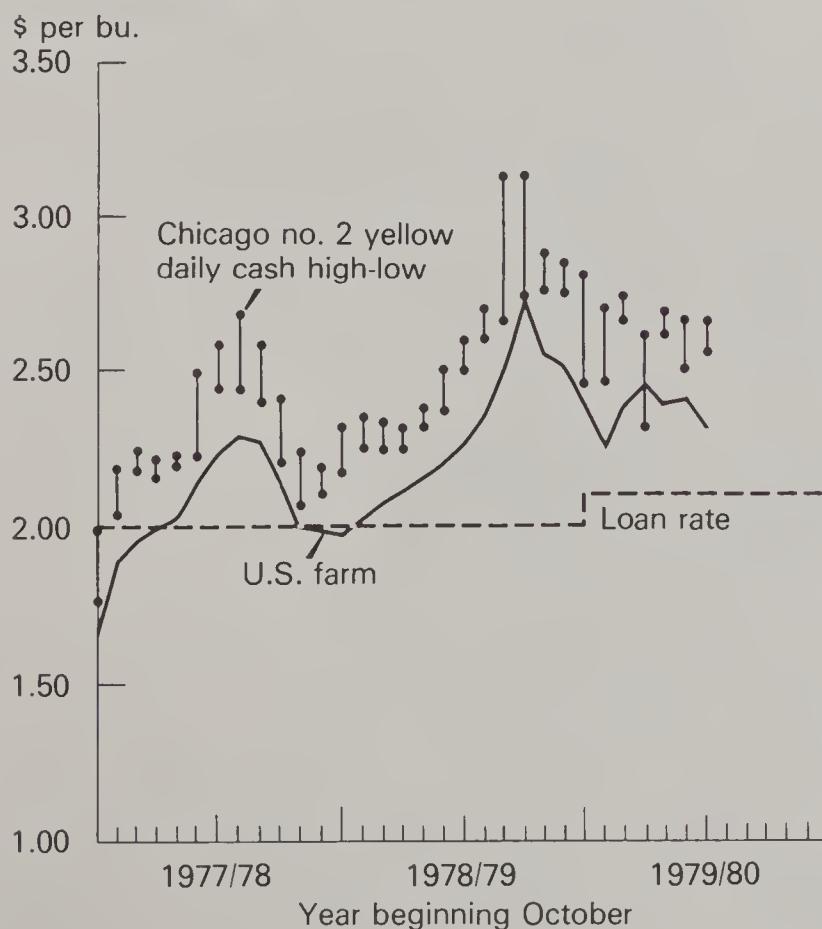
Another program rule to consider is that to qualify for full target price protection on the entire planted acreage of a crop, a farmer cannot plant more acres to wheat, corn, sorghum, or barley crops than he planted, set aside, and diverted from these crops in 1979. Farmers who plant more may find their deficiency payments subject to allocation factors that might reduce payments by up to 20 percent.

The allocation factor depends on total U.S. acreage harvested in comparison to the announced national program acreage. It can range between 80 and 100 percent and is established later in the year.

The maximum total of deficiency payments that a farmer can receive under a combination of the 1980 wheat, feed grain, upland cotton, and rice programs is \$50,000. Last year, the limit was \$45,000, but rice program payments were not included.

- Disaster payments help farmers who have crop failure or poor yields. Like deficiency payments, they are based on the normal yield of your farm, and the payment rate depends on the target price you're eligible for. The disaster payment program has been extended for the 1980 crops of wheat, corn, sorghum, barley, upland cotton, and rice. This year, disaster payments are limited to \$100,000 per person. In previous years, there was no limit.
- Regular 9-month price support loans can help you defer marketing your

CORN PRICES STAY ABOVE A YEAR EARLIER



crops when you expect prices to rise. Farmer-owned reserve loans help you defer marketings for a longer period and you get annual payments for storage in advance.

National average loan rates for 1980 wheat and feed grain crops are \$2.50 per bushel for wheat, \$2.10 for corn, \$2.00 for sorghum, \$1.71 for barley, and \$1.08 for oats. All farmers are eligible for loans on their 1980 crops, whether or not they plant within their NCA, if they certify their planted acreage at their county ASCS office.

As of April 16, the interest rate on CCC commodity price support loans was raised from 9 to 13 percent for all new loans. Loans already held by farmers at the old rate will not be affected.

Finding Funds for Production

Tight credit and higher interest rates made farmers' production planning unusually tough this spring. What are your options for financing this year's production costs?

- If you were in the 1979 feed grain program and still own uncommitted 1979-crop grain, you can--

Until May 31, get a regular 9-month Government price support loan for corn and sorghum.

Put 1979-crop corn, sorghum, and oats into the farmer-owned reserve. Immediate entry is permitted. With grain in the reserve, you'll be paid in advance each year for storage.

For corn only, first-year interest charges have been waived for the first 512 million bushels put into the reserve after January 7. As of late April, about 221 million bushels of the 1978 and 1979 crop had been placed in the reserve after January 7. There is no interest charge for the second and third years of grain reserve loans.

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- If you did not participate in the 1979 feed grain program, you still have some options--

On April 15, the farmer-owned reserve was opened to nonparticipants to put a limited amount of the previously ineligible 1979-crop corn into the reserve.

The offer is on a first-come, first-served basis until roughly 295 million bushels (7.5 million metric tons) of this corn have been placed in the reserve, or until May 15, whichever comes first.

Nonparticipants will receive the same reserve loan rate for their corn (national average \$2.10 per bushel) as participants, but will not qualify to have their first-year interest charges waived. Farmers wishing to take advantage of this offer should contact their county ASCS offices.

Farmers who did not comply with last year's feed grain program are not eligible for regular 9-month price support loans.

Two More Possibilities

- The USDA is offering financial assistance to eligible corn producers who are not able to place their 1978

and 1979 crops in the farmer-owned reserve because of a shortage of local storage space. To qualify, you must be within an area designated as a critical storage area by the State ASCS office.

The offer is good only for moving corn from normal delivery points to the nearest available storage for entry into the reserve. Assistance will be provided by adding the actual truck or rail transportation costs to the CCC corn loan rate. Payments will vary from 6 cents per bushel for corn hauled 20 to 50 miles to 13 cents for corn moved 150 miles.

- The economic emergency farm loan program, which was to expire May 15, has been extended until September 30, 1981. Under this program, USDA's Farmers Home Administration provides direct or guaranteed loans to farmers and ranchers who are not able to get financing because of area or national conditions beyond their control. FmHA will allocate about half of the \$2 billion funding provided by the extension now, and will hold the balance for emergency needs through September 1981.

If you have not been able to obtain production financing this year from your usual sources, you may want to check with your local FmHA office about the emergency farm loan program.